

Message Text

PAGE 01 STATE 054948

47

ORIGIN AF-18

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 CIAE-00 COME-00

EB-11 FRB-02 INR-09 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 SAL-01 OMB-01 INRE-00

DODE-00 PM-09 H-02 L-03 NSC-10 PA-03 PRS-01 SS-14

USIA-12 /182 R

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P R 241755 Z MAR 73

FM SECSTATE WASHDC

TO AMEMBASSY ACCRA PRIORITY

INFO AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY THE HAGUE

AMEMBASSY OSLO

AMEMBASSY BERN

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY BRUSSELS

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E. O. 11652: N/ A

TAGS: EAID, EFIN, PFOR, GH, IBRD

SUBJECT: GHANAIAN RESPONSE TO CREDITORS PROPOSAL

REF:

1. FOLLOWING IS TEXT GHANAIAN RESPONSE CREDITORS RESCHED-
ULING PROPOSAL, PRECEDED BY TEXT OF COVERING LETTER FROM
IBRD VICE PRESIDENT CHAUFURNIER TO DEPUTY ASSISTANT
SECRETARY ROBERT S. SMITH.

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PAGE 02 STATE 054948

2. BEGIN TEXT CHAUFURNIER LETTER: QUOTE DEAR MR SMITH:

THE GOVERNMENT OF GHANA HAS SENT MR MCNAMARA A REPLY TO THE PROPOSALS SUBMITTED TO IT BY THE GOVERNMENTS OF THE CREDITOR COUNTRIES LAST NOVEMBER FOR THE SETTLEMENT OF GHANA' S MEDIUM- TERM EXTERNAL DEBT PROBLEM. ON BEHALF OF MR MCNAMARA, I AM HEREWITH FORWARDING A COPY OF THE REPLY WHICH IS BEING DISTRIBUTED TO EACH OF THE CREDITOR GOVERNMENTS.

AS WILL BE APPRECIATED, THERE ARE A NUMBER OF POINTS ARISING OUT OF THIS REPLY THAT NEED TO BE CLARIFIED. AFTER MEETING HERE IN WASHINGTON YESTERDAY WITH LT. COL. J. ENNINFUL, SPECIAL ASSISTANT TO THE COMMISSIONER FOR FINANCE AND ECONOMIC PLANNING, I HAVE AGREED WITH HIM THAT FURTHER CONSULTATIONS BETWEEN THE BANK AND THE GHANA GOVERNMENT

WOULD TAKE PLACE IN ACCRA IN THE NEAR FUTURE, PROBABLY DURING THE WEEK OF APRIL 2. SINCERELY. ROGER CHAUFURNIER UNQUOTE END TEXT CHAUFURNIER LETTER.

3. BEGIN TEXT GHANAIAI REPLY: QUOTE:

THE GOVERNMENT OF GHANA HAS CAREFULLY EXAMINED THE PROPOSAL FOR THE SETTLEMENT OF GHANA' S MEDIUM- TERM EXTERNAL DEBT PROBLEM SUBMITTED TO IT BY THE REPRESENTATIVES OF BELGIUM, FRANCE, THE FEDERAL REPUBLIC OF GERMANY, ITALY, JAPAN, THE NETHERLANDS, NORWAY, SWITZERLAND, THE UNITED KINGDOM AND THE UNITED STATES OF AMERICA, THROUGH THE GOOD OFFICES OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT, IN NOVEMBER, 1972, AND HAS THE FOLLOWING COMMENTS THEREON:

1. THE GOVERNMENT OF GHANA IS PLEASED TO NOTE THAT THE CREDITOR COUNTRIES FULLY RECOGNISE THE SERIOUS CONSTRAINTS IMPOSED BY GHANA' S EXTERNAL DEBT PROBLEM ON THE COUNTRY' S EFFORT TO EXECUTE ANY MEANINGFUL SOCIAL AND ECONOMIC DEVELOPMENT PROGRAMME. THE GOVERNMENT IS APPRECIATIVE OF THE SYMPATHY EXPRESSED BY THE CREDITOR COUNTRIES FOR THE NATIONAL OBJECTIVE OF GROWTH THROUGH LIMITED OFFICIAL USE

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PAGE 03 STATE 054948

SELF- RELIANCE, AND WELCOMES THE DESIRE OF THE CREDITOR COUNTRIES TO ASSIST GHANA IN DEALING WITH HER PROBLEMS AND IN ACHIEVING AN ADEQUATE RATE OF GROWTH.

2. THE GOVERNMENT OF GHANA RE- AFFIRMS ITS DEEP COMMITMENT TO THE ACHIEVEMENT OF A HIGH RATE OF ECONOMIC AND SOCIAL DEVELOPMENT IN THE GENERAL ENDEAVOUR TO RAISE THE LIVING STANDARDS OF THE GHANAIAI PEOPLE, AND IS ACCORDINGLY PREPARED TO TAKE ALL NECESSARY ACTION TO

ENSURE REAL AND SUBSTANTIAL GROWTH IN THE COUNTRY'S ECONOMY.

3. THE GOVERNMENT OF GHANA THEREFORE NOTES WITH SATISFACTION THAT THE PROPOSAL OF THE CREDITOR COUNTRIES IMPLIEDLY RECOGNISES THE CARDINAL PRINCIPLE THAT GHANA'S EXTERNAL DEBT PROBLEM CAN ONLY BE SOLVED ON THE BASIS OF A LONG- TERM SETTLEMENT AND IN THE CONTEXT OF THE DEVELOPMENT NEEDS OF THE COUNTRY.

4. IT IS THE SINCERE HOPE OF THE GOVERNMENT OF GHANA THAT A SATISFACTORY AND LASTING SOLUTION TO THE DEBT PROBLEM CAN BE FOUND THAT IS CONSISTENT WITH GOVERNMENT'S OWN ECONOMIC POLICIES, THE NEED TO SAFEGUARD THE COUNTRY'S BALANCE OF PAYMENTS POSITION AND THE GOVERNMENT'S CLEAR COMMITMENT TO HIGH STANDARDS OF

PROBITY AND INTEGRITY IN NATIONAL AFFAIRS.

5. WITH RESPECT TO THE SPECIFIC PROPOSALS OF THE CREDITOR COUNTRIES FOR THE SETTLEMENT OF GHANA'S EXTERNAL DEBT PROBLEM, THE GOVERNMENT OF GHANA WISHES TO MAKE THE FOLLOWING OBSERVATIONS:

(I) THE GOVERNMENT OF GHANA IS DEEPLY APPRECIATIVE OF THE CLEAR DEPARTURE ON THE PART OF CREDITOR COUNTRIES FROM SHORT- TERM SOLUTIONS TO GHANA'S EXTERNAL DEBT PROBLEM. NEVERTHELESS THE GOVERNMENT CONSIDERS THAT THE DEBT SERVICE BURDEN ARISING OUT OF THE TERMS OF SETTLEMENT CONTAINED IN THE CREDITOR COUNTRIES' PROPOSAL, TAKEN TOGETHER WITH GHANA'S OBLIGATIONS IN RESPECT

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PAGE 04 STATE 054948

TO ITS SHORT- TERM AND LONG- TERM INDEBTEDNESS, WOULD CONSTITUTE A FORMIDABLE IMPEDIMENT TO HER EFFORTS TO ACHIEVE AN ADEQUATE RATE OF ECONOMIC AND SOCIAL DEVELOPMENT FOR THE PEOPLE OF GHANA.

(II) THE PROPOSED GRACE PERIOD OF 5 YEARS WOULD HARDLY AFFORD THE COUNTRY THE REQUISITE RESPITE FOR THE INITIATION AND IMPLEMENTATION OF APPROPRIATE PROGRAMMES FOR THE RESUSCITATION AND RESTRUCTURING OF THE ECONOMY, ESPECIALLY HAVING REGARD TO THE FACT THAT THE CREDITOR COUNTRIES WOULD EXPECT GHANA TO DISCHARGE HER SHORT- TERM DEBT OBLIGATIONS WITHIN A RELATIVELY SHORT PERIOD.

(III) THE PROPOSED REPAYMENT PERIOD OF 15 YEARS FALLS FAR SHORT OF THE TYPE OF LONG- TERM SETTLEMENT THAT WOULD NOT ONLY ENSURE THE FULL AND EFFECTIVE REHABILITATION OF THE ECONOMY, BUT ALSO INCREASE THE DEBT SERVICE CAPACITY OF THE COUNTRY.

(IV) THE GOVERNMENT OF GHANA RECOGNISES AND APPRECIATES THE CONCESSIONARY NATURE OF THE PROPOSED MORATORIUM INTEREST RATE OF 2 1/2 , BUT WOULD URGE THAT MORATORIUM INTEREST BE CANCELLED ALTOGETHER, AND WITH RETROSPECTIVE EFFECT.

(V) THE GOVERNMENT OF GHANA WOULD URGE THAT MEDIUM- TERM DEBT OBLIGATIONS ARISING UNDER CONTRACTS

ENTERED INTO AFTER FEBRUARY 24, 1966 BE INCLUDED IN ANY FUTURE SETTLEMENT WITH CREDITOR COUNTRIES.

(VI) THE GOVERNMENT OF GHANA CONSIDERS THAT THE LIMIT OF US \$2 MILLION SET FOR DEBTS TO BE EXCLUDED FROM NEGOTIATIONS IS TOO HIGH, AND LIMITED OFFICIAL USE

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PAGE 05 STATE 054948

WOULD WISH IT TO BE REDUCED FURTHER.

(VII) THE GOVERNMENT OF GHANA CONSIDERS THAT MEASURES OF RELIEF GRANTED UNDER ANY SETTLEMENT WITH CREDITOR COUNTRIES SHOULD HAVE EFFECT AS FROM THE 6 TH FEBRUARY, 1972.

(VIII) THE GOVERNMENT OF GHANA WISHES TO ASSURE CREDITOR COUNTRIES THAT, IN ACCORDANCE WITH CUSTOMARY PRACTICE AND ITS OWN POLICY, IT WILL NOT MAKE RESCHEDULING ARRANGEMENTS WITH OTHER CREDITORS ON TERMS LESS FAVOURABLE TO GHANA THAN THOSE CONTAINED IN ANY FUTURE SETTLEMENT WITH THE CREDITOR COUNTRIES.

6. THE GOVERNMENT OF GHANA WISHES TO STRESS THAT ITS STATEMENT OF FEBRUARY 5, 1972 ON THE EXTERNAL DEBT PROBLEM CONSTITUTES AN INTEGRAL PART OF THE GOVERNMENT'S OVERALL ECONOMIC STRATEGY, AND THAT THE MAJOR POLICY ANNOUNCEMENTS ON THE VITAL ISSUES SPECIFICALLY DEALT WITH IN THE SAID STATEMENT CANNOT BE IGNORED IN ANY MEANINGFUL DISCUSSION ON GHANA'S EXTERNAL DEBT PROBLEM. IN THIS CONNECTION, THE GOVERNMENT OF GHANA WISHES TO MAKE THE FOLLOWING ADDITIONAL OBSERVATIONS:

(I) THE GOVERNMENT OF GHANA MAINTAINS THAT NO DEBT OBLIGATIONS CAN PROPERLY ARISE FROM CONTRACTS WHICH ARE TAINTED AND VITIATED BY CORRUPTION AND OTHER FORMS OF ILLEGALITY. THE GOVERNMENT OF GHANA HAS ALREADY REPUDIATED ON THESE GROUNDS THE FOUR CONTRACTS SPECIFICALLY MENTIONED IN THE SAID STATEMENT OF FEBRUARY 5, 1972.

(II) MORE GENERALLY, THE GOVERNMENT OF GHANA TAKES THE VIEW THAT ANY FUTURE DISCUSSIONS REGARDING GHANA'S EXTERNAL DEBT ARE NECESSARILY WITHOUT PREJUDICE TO THE RIGHT OF THE GOVERNMENT OF GHANA TO INVOKE ANY REMEDIES AVAILABLE TO IT IF THE GOVERNMENT OF GHANA SHOULD FIND GROUNDS TO QUESTION(1) THE VALIDITY OF THE CONTRACTS

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PAGE 06 STATE 054948

UNDER WHICH SUCH DEBT OBLIGATIONS AROSE, (2) THE DUE PERFORMANCE OF ALL CONTRACTUAL OBLIGATIONS BY THE CONTRACTORS CONCERNED, AND (3) THE VIABILITY OF THE PROJECTS IN RESPECT OF WHICH THESE CONTRACTS WERE ENTERED INTO.

(III) THE GOVERNMENT OF GHANA REITERATES ITS WILLINGNESS TO SUBMIT ITS ACTION WITH RESPECT TO THESE CONTRACTS TO INTERNATIONAL ADJUDICATION. THE GOVERNMENT OF GHANA MUST INSIST ON THE EXCLUSION OF THESE CONTRACTS FROM THE PURVIEW OF ANY FUTURE DISCUSSIONS ON THE SETTLEMENT OF GHANA'S EXTERNAL DEBTS PENDING THE OUTCOME OF ANY SUCH ADJUDICATION, SINCE SUCH DISCUSSIONS ARE CONCERNED ONLY WITH THE TERMS OF PAYMENT OF VALID DEBT OBLIGATIONS.

7. THE GOVERNMENT OF GHANA APPRECIATES THE RECOGNITION SHOWN BY THE GOVERNMENTS OF CREDITOR COUNTRIES OF GHANA'S AID REQUIREMENTS, AND WOULD WELCOME THE PROVISION OF DEVELOPMENT ASSISTANCE WITHIN THE CONTEXT OF THE COUNTRY'S NEEDS, AND TO THE EXTENT CONSISTENT WITH THE NATIONAL POLICY OF SELF- RELIANCE.

8. WITH REGARD TO GHANA'S SHORT- TERM EXTERNAL DEBT, THE GOVERNMENT OF GHANA WISHES TO ASSURE CREDITOR COUNTRIES THAT IT IS MAKING ALL REASONABLE EFFORTS TO CLEAR THE ARREARS OF SUCH DEBT ON A NON- DISCRIMINATORY BASIS, BUT WOULD POINT OUT THAT GHANA'S CAPACITY TO CLEAR THESE ARREARS IN THE PERIOD ENVISAGED BY THE

CREDITOR COUNTRIES WOULD SUBSTANTIALLY DEPEND ON THE TYPE OF RELIEF GRANTED IN RESPECT OF THE MEDIUM- TERM INDEBTEDNESS. THE GOVERNMENT OF GHANA WOULD FURTHER STRESS THAT THE CARRYING OUT OF A SIZEABLE IMPORT PROGRAMME IS ESSENTIAL TO THE SUCCESSFUL IMPLEMENTATION OF ANY MEANINGFUL DEVELOPMENT PROGRAMME, AND WOULD WELCOME THE CO- OPERATION OF THE GOVERNMENTS OF THE CREDITOR COUNTRIES IN THIS CONNECTION.

9. THE GOVERNMENT OF GHANA WOULD BE PLEASED TO ENTER INTO APPROPRIATE DISCUSSIONS ON THE BASIS OF THE LIMITED OFFICIAL USE

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PAGE 07 STATE 054948

FOREGOING COMMENTS. UNQUOTE. END OF GHANAIAI TEXT.

ROGERS

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